

Add Section 6358.3 to, and repeal Section 6018.1 of, the Revenue and Taxation Code to provide that the use, furnishing, or sale of drugs and medicines, as defined, by a licensed veterinarian, city, city and county, county, or other local government animal shelter, or a nonprofit animal welfare organization are exempt from tax, when used, furnished or sold for the treatment of animals.

Source: Honorable Jerome E. Horton

Existing Law. Except where specifically exempted by statute, California's Sales and Use Tax Law¹ imposes the sales tax on all retailers for the privilege of selling tangible personal property at retail in this state.

Under the law, generally, persons engaged in the business of selling tangible personal property must obtain a seller's permit. These persons must also report the tax on a BOE prescribed return. However, California's Sales and Use Tax Law places a variety of retailers on a "consumer" reporting status. Under a "consumer" reporting status, the law eliminates the need for the retailer to obtain a seller's permit and report the tax on his or her sales. Rather, the law requires the retailer to pay tax on the cost of the taxable products the retailer sells.

The law extends this "consumer" reporting status to licensed veterinarians.² Under this provision, as consumers, licensed veterinarians pay sales tax reimbursement or use tax on the purchases of drugs and medicines they use or furnish in the performance of their professional services.

For certain animal transfers, current law³ provides an exclusion from sales and use tax for charges by animal shelters and animal welfare organizations. This exclusion applies when these shelters and organizations transfer the animals to individuals for use as pets. Further, the law excludes from the computation of the sales or use tax certain service charges related to these pet transfers. These service charges include spaying or neutering or future spaying or neutering, vaccinations, and similar services. However, the law imposes the sales or use tax on any other sale or purchase of drugs and medicines by these organizations.

California law⁴ provides for the regulation of veterinary medicine practices. Absent the required license from the California Veterinary Board, the law prohibits persons from the practice of veterinary medicine.

This Proposal. This proposal repeals the "consumer" status provision in law related to licensed veterinarians. Instead, the proposal creates a sales and use tax exemption for drugs and medicines used, furnished, or sold by

- a licensed veterinarian,
- a city, city and county, county, or other local government animal shelter, or
- a nonprofit animal welfare organization for the treatment of animals.

¹ Part 1, Division 2 of the Revenue and Taxation Code (commencing with Section 6001).

² Sales and Use Tax Law Section 6018.1.

³ Sales and Use Tax Law Section 6010.40.

⁴ Chapter 11, Division 2 of the Business and Professions Code (commencing with Section 4800).

For many individuals, pets are regarded as family members. Pet owners care for them and to the extent they can, provide every aspect of their support. To keep family pets alive and healthy, the expensive, yet necessary, medical costs pose a challenge to many.

This proposal provides some limited relief for these expenses, through a tax exemption. Specifically, it exempts from the sales and use tax, drugs and medicines used, furnished, or sold by a licensed veterinarian and other animal humane and rescue organizations for the treatment of pets and other animals.

Section 6018.1 of the Revenue and Taxation Code is repealed.

~~6018.1. A licensed veterinarian is a consumer of, and shall not be considered a retailer within the provisions of this part with respect to, drugs and medicines used or furnished by him or her in the performance of his or her professional services.~~

~~For the purposes of this section, "drugs and medicines" includes substances or preparations intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in animals and which is commonly recognized as a substance or preparation intended for this use. The term includes legend drugs, pills and capsules (other than vitamins), liquid medications, injected drugs, ointments, vaccines, intravenous fluids, and medicated soaps if those soaps are available only to veterinarians. The term does not include vitamins, shampoos, pet foods, prescription diet foods, artificial diets, flea powders, and flea sprays.~~

Section 6358.3 is added to the Revenue and Taxation Code, to read:

6358.3. There are exempted from the taxes imposed by this part the gross receipts from the sale of and the storage, use, or other consumption in this state of drugs and medicines used, furnished, or sold by a licensed veterinarian, a city, city and county, county, or other local government animal shelter, or a nonprofit animal welfare or rescue organization for the treatment of animals.

For the purposes of this section:

"Drugs and medicines" includes substances or preparations intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in animals and which is commonly recognized as a substance or preparation intended for this use. The term includes legend drugs, pills and capsules (other than vitamins), liquid medications, injected drugs, ointments, vaccines, intravenous fluids, and medicated soaps if those soaps are available only to veterinarians. The term does not include vitamins, shampoos, pet foods, prescription diet foods, artificial diets, flea powders, and flea sprays.

"Licensed veterinarian" means a person licensed pursuant to Chapter 11 (commencing with Section 4800) of Division 2 of the Business and Professions Code.

"Nonprofit animal welfare or rescue organization" means any organization formed and operated for the primary purpose of prevention of abuse, neglect, or exploitation of animals and that qualifies for the exemption from taxation pursuant to Section 23701d.

"Animal" includes any member of the animal kingdom other than humans, and includes fowl, fish, and reptiles, wild or domestic.